



PEER REVIEW SYSTEM – The Institute of Cost Accountants of India

1. Introduction

1.1 The Institute of Cost Accountants of India (hereinafter referred to as “the Institute”) has been constituted under the Cost and Works Accountants Act, 1959 (hereinafter referred to as “the Act”) for discharging the functions assigned to the Institute under the Act. Section 15 of the Act provides that “the duties of carrying out the provisions of this Act shall be vested in the Council” and enumerates various duties of the Council. With a view to regulate the profession of Cost Accountants and in terms of the powers vested, the Council is issuing this Peer Review System.

1.2 Peer Review System (PRS) is a mechanism of evaluating the professional/audit and assurance activities/services carried out by a Firm by peers by looking into the systems and procedures adopted and records maintained while carrying out professional/audit and assurance activities with the objective to evaluate and suggest improvements of systems, procedures and quality of reporting. The purpose of PRS is to improve the quality of service rendered by Firms by way of enhancing credibility, transparency and adopting best practices and imparting knowledge and skills.

1.3 The main objective of Peer Review System is to ensure that in carrying out the professional/audit and assurance activities/services, the members of the Institute:

- (a) comply with Technical, Professional and Ethical Standards as applicable including compliance of other regulatory provisions and requirements thereto and
- (b) have in place proper systems including documentation thereof, to adequately exhibit the quality of the professional/audit and assurance activities/services.

In this statement the framework under which Peer Review System is to be followed has been specified.

2. Objective

2.1 The purpose of the Peer Review System statement is to impart a framework for, planning, performing, reporting and administration of the peer review process.

2.2 Peer Review System is directed towards maintenance as well as enhancement of quality of professional/audit services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements. Essentially, through a review of professional/audit services engagement records, peer review identifies the areas where a Firm may require guidance in improving the quality of his performance and adherence to various requirements as per applicable technical Standards as well as proper and regular application of such frame across engagement test sample for Review.



2.3 Peer Review System enables to ensure that professional/audit and assurance activities/services carried out by a Firm:

- (a) are in alignment with various statutory requirements issued from time to time by MCA and The Institute of Cost Accountants of India including the following:
- Companies Act 2013
 - Companies (Cost Record & Audit) Rules, 2014, as amended from time to time
 - The Cost & Works Accountants Act, Rules & Regulations
 - Standards on Cost Auditing (SCAs)
 - Cost Accounting Standards (CAS)
 - Guidance Notes
 - Generally Accepted Cost Accounting Principles (GACAP)
 - Cost Audit Orders
 - Notifications & Circulars
- (b) To ensure that adequate documentation in place and proper systems followed
- (c) The Peer Review Mechanism is Not a fault finding exercise but parental in approach for improving quality of reporting

3. Definitions:

3.1 Attestation Services - Means services involving the cost audit and issuance of various certificates, but does not include: Management consulting Engagement; Representing a client before the Authorities; Testifying as expert witness; and Providing expert opinion on points of principles, such as cost accounting standards and standards on cost auditing or the applicability of certain laws, on the basis of facts provided by the client; The phrase 'Attestation Services' is used in the statement interchangeably with cost audit or compliance report or certificate, Attestation Functions and cost audit or maintenance of cost records functions.

3.2 Firm - Firm means a sole practitioner, partnership including LLP or any other entity of professional cost accountants as may be permitted by law and constituted under The Cost and Works Accountants Act, 1959 and Regulations framed thereunder.

3.3 Member - Means a member of the Institute of Cost Accountants of India.

3.4 Partner – includes any individual with authority to bind the firm with respect to the performance of a professional services assignment.

3.5 Peer Review - Means an examination and review of the systems, procedures and practices to determine whether they have been put in place by the practicing firm for ensuring the quality of professional/audit and assurance services as envisaged and implied/mandated by



the Technical, Professional and Ethical Standards and whether the same were effectively and constantly applied during the period under review.

3.6 Peer Review Board - Means a Board established by the Council in terms of these Guidelines to conduct peer review. The expression “Peer Review Board” is hereinafter referred to as “Board”.

3.7 Peer Review Period - means 3 years preceding the year in which the Firm is selected or such other period or any period as may be prescribed by the Peer Review Board for conducting a Peer Review.

3.8 Practice Unit - Means a sole practitioner, partnership including LLP or any other entity of professional cost accountants, whether practicing individually or a firm of Cost Accountants.

3.9 Qualified Assistant – means a person assisting the reviewer either as a partner or a paid assistant who has undergone adequate training in the manner considered appropriate by the Board.

3.10 Regulator - Means Government or any regulatory body constituted by the Parliament or State Legislature who is/are empowered to regulate the Acts which include various professional/audit services which the Council may, from time to time, prescribe to cover as professional/audit services for the purpose of peer review.

3.11 Reviewer - Means any individual from a panel of reviewers engaged to carry out peer review of a Firm under review.

3.12 Technical, Professional and Ethical Standards - Mean and include:

- (a) Standards on Cost Auditing, Cost Accounting Standards & GACAP issued by the Institute of Cost Accountants of India, wherever mandatory;
- (b) Guidance Notes on Cost Accounting Standards, Standards on Cost Auditing issued by the Institute of Cost Accountants of India;
- (c) Compliance of the Guidance Notes issued by the Institute of Cost Accountants of India;
- (d) Cost Reporting Framework for the Preparation and presentation of cost statements, and Cost Accounting Standard, Standards on Cost Auditing, and Guidance Notes on related services issued, from time to time, by the Institute of Cost Accountants of India;
- (e) Notifications/Directions issued by the Council of Institute of Cost Accountants of India; and
- (f) Compliance of the provisions of the various relevant Notifications, Statutes and/or Regulations, issued by MCA, Government, State Governments, which are applicable in the context of the specific engagements being reviewed.



3.13 Year – Year means the period of twelve months commencing on 1st day of April any year and ending on the 31st day of March of the succeeding year.

3.14 Words and expressions used and not defined in these guidelines shall have the meanings assigned to them under the Cost and Works Accountants Act, 1959 and the Cost and Works Accountants Regulations, 1959 as amended from time to time and other rules framed there under.

4. Authority of the Peer Review System

4.1 The Peer Review System shall apply to all audit and assurance and other professional activities done / services rendered by a Firm under review. Firms may voluntarily apply for Peer Review or the Board is empowered to select randomly for review in addition to voluntary review. The Board will empower Reviewers by proper training procedures to master them with the procedures that need to be followed for Peer Review. The Firm under review may be given a choice of 3 reviewers for selecting a reviewer to undertake Peer Review. The Board may appoint a reviewer if the Firm fails to make a choice within a time frame for selecting a reviewer or vests the selection to the Board.

4.2 The Peer Review System is designed in relation to conduct of members in professional/audit and assurance services:

- (a) to promulgate an appropriate mechanism for ensuring the quality of professional/audit and assurance services and guide the members to conduct themselves in a manner that the regulatory bodies as well as council considers appropriate;
- (b) to provide guidance in relation to the statutory powers, roles and responsibility and obligations with respect to the parties involved in peer review;
- (c) to prescribe the scope of peer review and the procedures to be adopted during the conduct of a peer review.

5. Powers of the Council

5.1 To constitute and empower the Board and to fill in the vacancies arising in the Board from time to time.

5.2 Consideration, review and approval of the overall Peer Review System, including its budget.

5.3 To authorize the Board to formulate and suggest the amendment in the Peer Review System and mechanisms of Peer Review System and the procedures framed there under



including the power of the board and/ or Reviewer, for approval of the President and submitted to the Council for ratification.

5.4 To seek information from the Board regarding the peer review status and the details relating Firm as well as Reviewer.

5.5 To refer such matters to the Board relating to a Firm as the Council may deem fit.

6. Peer Review Board

6.1 A Peer Review Board shall be formed and empowered by the Council which will formulate, implement and oversee the Peer Review System under the overall supervision of the Council.

6.2 The objectives, powers, scope and the duties of the Board will be formulated and distinctly laid down by the Council which may be reviewed and modified as and when required.

6.3 The Board shall be composed of 4 members with equal representation from the Council and other nominees from different sectors so has to have a wide knowledge and exposure base.

6.4 The Council shall authorize the Board to elect amongst its members for the day to day functionality of the Board a Chairperson and Vice Chairperson and an Institute official may be deputed as Secretary to the Board or any other person (not below the rank of Joint Director) to extend technical and secretarial assistance to the Board.

6.5 The tenure of Chairperson / Vice Chairperson and members of the Board shall be for 2 years, though the Council can reconstitute partly or fully the Board members as and when required.

6.6 Any vacancy on the Board shall be filled in by the Council.

6.7 Members of the Board of Discipline, Disciplinary Committee, Appellate Authority and Quality Review Board of the Institute shall not concurrently serve on the Board.

6.8 No business shall be transacted at a meeting of the Board unless there are 3 members present including the Chairperson or, in his absence, the Vice Chairperson.

If the Chairperson is not present in a meeting, the Vice Chairperson shall Chair the meeting.

Provided that if the Chairperson and Vice Chairperson are not present in a meeting, the members may elect anyone member as Chairperson of the meeting to transact the business of the Board.



If there is no quorum within half an hour of the time fixed for the meeting, the meeting shall be adjourned to a date, time and place fixed by the Chairperson.

Provided that in the adjourned meeting, the quorum will be the members present in the meeting or two members present in the meeting, whichever is more.

6.9 The Board shall meet at least 4 times in a year, provided that not more than 120 days shall elapse between two consecutive meetings of the Board.

6.10 The Board shall submit a report to the council within 21 days of its meeting or such extended time by Council.

7. Duties and power of the Board

7.1 The duty of laying down the Peer Review System and its functionality shall be vested in the Board.

7.2 The duties of the Board shall include:

- (1) To call for information from a Firm in such form as it deem fit.
- (2) To maintain a panel of Reviewers.
- (3) To define the terms of appointment of the Reviewers.
- (4) To examine the aspects of basis of selection of records pertaining to the professional / audit and assurance services in terms of the appropriate Technical, professional and ethical Standards.
- (5) To arrange for such training programs for reviewers as may be deemed appropriate.
- (6) On considering the Report of a reviewer, to do any or all of the following -
 - (a) To issue recommendations to the Firm;
 - (b) To order a further peer review to be carried out:
 - (c) After considering the report of the reviewer and compliance of recommendations by the Firm if any, wherever deemed appropriate by the Board, to issue Peer Review Certificate.
- (7) To guide the members on best practices on peer review.

7.3 Where deemed appropriate, after the conclusion of a cycle of reviews or at the end of each such period as may be determined, the Board shall have the powers to make a Special Report to the Council on:



- (i) General issues regarding the level of implementation and adherence to Technical, professional and ethical Standards amongst Firms.
- (ii) Its own suggestions for further improvement in quality of professional/audit services.
- (iii) Such other related matters and or information it may deem fit.

7.4 The Board may perform any other thing or act as may be incidental to, or which it considers necessary or expedient for the performance of its functions, or exercise of its powers as delegated to it by the Council, including the formation of subcommittees for specific tasks.

8. Qualifications and disqualifications of Reviewer

8.1 A Reviewer should -

- (a) Be a member of the Institute;
- (b) Possess at least ten years' experience in practice;
- (c) Be currently in the practice;
- (d) Have undergone the requisite training as may prescribed by the Board;
- (e) Furnish a declaration as prescribed by the Board, at the time of acceptance of Peer Review appointment; and
- (f) Sign the declaration of confidentiality as prescribed by Board.

8.2 A Reviewer should not have -

- b. Been being found guilty by the Council or the Disciplinary Board or Committee in the matter of professional misconduct at any time;
- c. Been convicted by a Court; and
- d. Any conflict of interest in the Firm or its Partners/ Personnel.

A minimum turnover to be prescribed, earned from professional fees by rendering audit and assurance services, other regulatory services and certification services.

8.3 A Reviewer shall not accept any professional assignment from the Firm for a period three years from the date of appointment as Reviewer.

8.4 The Board may examine the quality of the report and shall have powers to remove the Reviewer from the panel of reviewers in case the quality of the review/reporting standards falls below the desired levels.



9. Scope of Peer Review System

9.1 A threshold limit based on turnover etc. (decided by the Council) shall be used as one of the criterions for selecting firms to be reviewed.

9.2 The Peer Review mechanism shall apply to all audit and assurance services, other regulatory service and certification services, requiring the members to have fulltime Certificate of Practice.

9.3 Once a Firm is assigned for Review, its audit and assurance, other services engagement records pertaining to the Peer Review period shall be subjected to Review.

9.4 The Peer Review shall cover:

- (a) Compliance with Technical, Professional and Ethical Standards
- (b) Audit & Assurance services like Cost Audit, stock audit, internal audit, excise, custom and service tax audit, Vat Audit and other audits in which Firms are authorized to conduct, Consultancies, certification and other professional services, requiring the member to have Certificate of Practice.
- (c) Quality of Reporting
- (d) Training programs for staff (including cost trainees and audit assistants) concerned with audit and assurance function and other defined services, including availability of appropriate infrastructure.
- (e) Compliance with guidelines and/or direction issued/given by the Council to the members, including fees to be charged, document collected and record maintained during his audit and assurance services, other regulatory and certification services, number of audits undertaken, professional misconduct, register for assurance engagements conducted during the year and such related records.
- (f) Compliance with direction and / or guidelines issued by Council in relating to cost trainees and / or audit assistants, including attendance register, work diaries, stipend payments, transfer / retrenchment of cost trainee / audit assistant nomination and such related records
- (g) The Peer Review System may be carried out at every 3 – 5 year intervals or any time when the Board feel appropriate and the areas of practice that may be covered under Peer Review System.



10. Compliance with Peer Review Statement

10.1 Practice units are required to comply with the provisions of this statement. Practice units failing in this regard will be required to undergo appropriate review of their quality controls by the Board in terms of such specific directions as may be given to it by the Council in these regards from time to time, and as notified to the members.

10.2 Practice Units failing to comply with provisions of this statement shall be liable for disciplinary action as provided under the Cost and Works Accountants Act, 1959.

11. The mechanism of Peer Review System

11.1 The Peer Review System mechanism shall have the following steps:

- (a) Selection of Firm to be Peer Reviewed
- (b) Selection and appointment of Reviewer
- (c) Planning the Review
- (d) Executing the Review
- (e) Reporting
- (f) Issue of Peer Review Certificate

11.2 Selection of Practicing Member to be Peer Reviewed: The Board has to notify the Firm that will be subjected to Peer Review voluntarily by the Firm or by random selection.

11.3 Selection and appointment of Reviewer: The Peer Review Board will recommend the names of 3 Reviewers to the notified Firm for selecting a Reviewer to undertake Peer Review. After taking the consent of the Reviewer the Board shall appoint a Reviewer selected by the Firm or on its own if the Firm fails to make a selection within a reasonable time. The Board shall inform the Firm about appointment of the Reviewer.

11.4 Planning the Review: The Board shall send list of documents that the Firm needs to produce to the Reviewer. The documents may be sought by way of a predetermined questionnaire. The Reviewer shall have access to list of clients and description of services given along with the fees charged. The Reviewer will also have access to the methodology and practices followed by the Firm for executing such services to its clients.

11.5 Executing the Review: The Reviewer shall have to review based on sampling techniques and ideally the review process should be completed within a predetermined time frame. The process shall cover not only technicalities like adherence to Standards / Acts and Rules etc. but also to qualitative aspects like quality of assistants, outsourcing standards etc.



11.6 Reporting: The Peer Review report shall cover technicalities like adherence to Standards / Acts and Rules etc. and also qualitative aspects like quality of assistants, outsourcing standards etc. The Reviewer may submit an interim report to the Board with a copy to the Firm under review. In case of interim Report, the Firm shall have the liberty to explain his position by way of giving explanation and inputs within a reasonable time frame to counter any deficiencies, drawbacks etc. mentioned in the interim report. The Board shall take a view on whether recommendation needs to be made to the Firm or a supplementary review is required or the Reviewer can proceed with the final report within a specified time frame. The Reviewer will then submit his final report to the Board.

11.7 Issue of Peer Review Certificate: Based on the findings in the final report and considering the explanations etc. given by the Firm under review, the Board shall be required to issue a Peer Review Certificate if found worthy. Otherwise as mentioned above the Board may issue recommendations or initiate supplementary review based on the merits of the case.

11.8 Other areas arising out of Peer Review System:

- (i) The Firm shall be covered under immunity from any liability under Code of Conduct/ Ethics of institute arising out of making available documents for Peer Review.
- (ii) Highest degree of confidentiality to be maintained by Reviewers, Board and others involved directly or indirectly in the Peer Review System.
- (iii) Suitable dispute redressal and grievance mechanism system arising out of conflicting views of Reviewer and Firm under review will be put in place by the board.

Peer Review System must have a mechanism to deal with aberration and irregularities reported during any Peer Review and a mechanism for disciplinary action in such cases needs to be defined so that it may act as a deterrent to potential erring Firms.

11.9 Every activity has a cost aspect and as such the cost of Peer Review including supplementary review, if any, is to be borne by the Firm being reviewed. Such costs are to be broadly fixed by the Board.

12. Obligations of the Practice Unit

12.1 Provisions of access to any record or document to a reviewer:

- (1) Any person to whom this clause applies and who is reasonably believed by a reviewer to have in his possession or under his control any record or other document, which contains or is likely to contain information relevant to the peer review shall:



- (i) Produce to the reviewer or afford him access to, any record or document specified by the reviewer or any other record or document which is of a class or description so specified, and which is in his possession or under his control/ being in either case a record or other document which the reviewer reasonably believes is or may be relevant to the peer review, within such time as the reviewer may reasonably require;
- (ii) If so required by the reviewer, afford and provide to him such explanation or further particulars in respect of anything produced in compliance with a requirement under sub clause (i) above, as the reviewer shall specify; and
- (iii) Provide to the reviewer all assistance in connection with peer review which he is expected to provide

(2) Where any information or matter relevant to a practice unit is recorded otherwise than in a legible form, the practice unit shall provide and present to the reviewer a reproduction of any such information or matter, or of the relevant part or it in a legible form, with a suitable translation in English if the matter is in any other language, and such translation is requested for by the reviewer.

(3) The practice unit shall ensure that the reviewer is given access to all documents relevant to his review no matter which office of the practice unit these documents may be available in, in case the practice unit has more than one office.

(4) A practice unit shall allow the reviewer to inspect, examine or take any abstract of or extract from a record or document or copy therefrom which may be required by the reviewer.

12.2 For the purpose of this clause a person means a Partner/ Sole Proprietor of the practice unit to which the particular review relates or any person employed by or whose services are engaged by such unit.

13. Dispute and Appeal

Where a dispute arises over the power of Reviewer or the process of the Review or the conclusion drawn therein or any particular matter related to Review, the Firm or the Reviewer or both may refer the dispute to the Board.

14. Immunity and confidentiality

14.1 The Firm under review shall be covered under immunity from any liability under Code of Conduct/ Ethics of the Institute arising out of making available documents for Peer Review.



14.2 Strict confidentiality shall be maintained by all those involved in the Peer Review process namely, Reviewers (including assistants), member of the Board, member of dispute redressal forum , any partner or proprietor of the Firm.

14.3 All the persons shall be governed by the secrecy provision:

(a) shall at all times preserve and aid in preserving secrecy with regards to any matter arising in the process followed for Review or performance or in assisting in the performance of any function, directly or indirectly related to the process, conduct, report and point of dispute (if any) of Peer Reviews.

(b) Reviewers shall not make use of or disclose the contents of Review working papers, report, or any confidential information about the process of Review unless as required by the Board, dispute redressal forum or the Council.

(c) Non-compliance with the secrecy provision shall amount to professional misconduct as defined under the Cost and Works Accountant Act, 1959

14.4 A declaration of Confidentiality shall be signed by the Reviewers who are responsible for the conduct as well as report of Peer Review.

15. Procedural deviations

Wherever, any Partner or Proprietor of a Firm or the Reviewer or any member of the Board have not followed the prescribed procedures, they shall have to justify significant deviation or departure and such justification shall have to be mandatorily made known to the board within reasonable time.

16. Budget and Finance

The council shall approve the Annual Budget of the Board each year.

17. Technical and secretarial support

The Council shall set up an independent Secretariat to assist the Board in the discharge of its functions. All people working or assisting in the Secretariat shall be subject to the same norms of confidentiality as the Board Members and Reviewers.